

Requirement for new applications for exemption from Federal income tax in case of a change in the structure of organizations exempt from Federal income tax under section 501(a) of the Internal Revenue Code of 1954.

The Internal Revenue Service has been asked whether new applications for exemption are required in four cases where changes were made in the structure of organizations which previously had been held exempt from Federal income tax under section 501(a) of the Internal Revenue Code of 1954 or a counterpart provision of prior law.

Case 1. An exempt trust was reorganized and adopted a corporate form to carry out the same purposes for which the trust had been established. Its operations were not changed.

Case 2. An exempt unincorporated association was incorporated and continued the operations which had qualified it for exemption.

Case 3. An exempt organization incorporated under state law was reincorporated by an Act of Congress to carry out the same purposes contained in the state charter.

Case 4. An exempt organization incorporated under the laws of one state was reincorporated under the laws of another state with no change in its purposes.

Section 1.501(a)-1(a)(2) of the Income Tax Regulations requires that, in order to establish exemption, an organization must file an appropriate application form with the District Director for the internal revenue district in which is located the principal place of business or principal office of the organization. Rulings or determination letters holding organizations exempt are effective so long as there are no material changes in the organization's character, purposes, or methods of operation.

In each of the four cases described above a new legal entity has been created. Each new entity must establish its exemption in accordance with the regulations set forth above. Accordingly, each of the above organizations must file an application for exemption to establish that the new entity qualifies for exemption under the Code and applicable regulations.